

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2723 - SB 3746

February 22, 2010

SUMMARY OF BILL: Authorizes public K-12 students to graduate early. Establishes an early graduation scholarship program. Students graduating one semester early may receive a \$2,500 scholarship. Students graduating two semesters early may receive a \$5,000 scholarship. Students graduating three or more semesters early may receive a \$7,500 scholarship. Students graduating two or more semesters early may reapply for scholarships under this program at 12, 24, and 36 and subsequent multiples of 12 semester hours. To be eligible for an early graduation scholarship, students must enroll in a post-secondary institution within 16 months of high school graduation. Requires that state education finance funds that would have funded students who are graduating early to be transferred to the Tennessee Student Assistance Corporation (TSAC) for the purpose of funding this scholarship program.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$9,082,000 /FY11-12 and Subsequent Years

Increase Local Expenditures – Exceeds \$23,194,400/FY11-12 and Subsequent Years*

Other Fiscal Impact – State and local education BEP funding will transfer to the scholarship program. The amount of such a shift in funding is estimated to exceed \$25,771,600 in FY11-12 and subsequent years.

Assumptions:

- In the 2008-09 graduation cohort, 1,012 students graduated one semester early; 5,845 graduated two semesters early; and 320 students graduated three or more semesters early. This is a total of 7,177 students.
- Students graduating one semester early will receive a \$2,500 scholarship. Students graduating two semesters early will receive a \$5,000 scholarship. Students graduating three or more semesters early will receive a \$7,500 scholarship.
- Students in the 2008-09 cohort would have received scholarship amounts as follows: one-semester early approximately \$2,530,000 (\$2,500 x 1,012); two semesters early \$29,225,000 (\$5,000 x 5,845); three or more semesters early \$2,400,000 (\$7,500 x 320).


Total cost for the 2008-09 cohort would be approximately \$34,155,000 (\$2,530,000 + \$2,400,000 + \$29,225,000).

- TSAC and DOE estimate that there will be a 5 percent growth from the 2008-09 cohort to the implementation cohort of 2011-12. The total number of students for the 2011-12 graduation cohort is estimated to be approximately 7,536.
- The scholarship total for 7,536 students will be approximately \$35,862,750 (\$34,155,000 + 5 percent of \$34,155,000). TSAC and the Department of Education estimate that 90 percent of the total number of students (6,782) will be eligible for the award in FY11-12 and subsequent years.
- 90 percent of the estimated total cost for the 2011-12 graduation cohort scholarships is \$32,276,475 (\$35,862,750 x 90 percent).
- Only the state portion of the BEP will be given to TSAC for the scholarship program. The LEA match portion of the BEP will not be given to the scholarship program.
- The BEP generates approximately \$5,700 per ADM. The state share is approximately \$3,800 and the local match is approximately \$1,900.
- The state BEP portion for the estimated 6,782 eligible students is approximately \$25,771,600 (6,782 x \$3,800). This portion will be transferred to TSAC for scholarship awards in FY11-12 and subsequent years.
- It is estimated that 90 percent of the transferred state BEP dollars, \$23,194,440 (\$25,771,600 x 90 percent), is currently funding LEA fixed expenditures such as utilities and teacher salaries. This money must be made up by the LEAs. The total increase in local expenditures is estimated to exceed approximately \$23,194,440 in FY11-12 and subsequent years.
- The state will have to increase expenditures to make up the difference between the total amount needed for scholarship awards and the amount transferred from the state portion of BEP funding. This amount is estimated to exceed approximately \$9,082,035 (\$32,276,475 - \$23,194,440) in FY11-12 and subsequent years.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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